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**FISCAL IMPACT STATEMENT**

**LS 6167**

**BILL NUMBER:** HB 1011

**NOTE PREPARED:** Mar 21, 2013

**BILL AMENDED:** Mar 21, 2013

**SUBJECT:** Public Mass Transportation.

**FIRST AUTHOR:** Rep. Torr

**FIRST SPONSOR:** Sen. Patricia Miller

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended)The bill authorizes the establishment of a metropolitan transit district (MTD) by specified eligible counties through local public questions and provides for an appointed board to govern the MTD. The bill provides that certain outlying townships of eligible counties may each separately determine whether to be included in the MTD through local public questions in the outlying townships.

The bill authorizes the MTD to: (1) construct or acquire any public transportation facility; (2) provide public transportation service by operating public transportation facilities; and (3) issue bonds and otherwise incur indebtedness to provide funding for capital improvements.

The bill prohibits borrowing to fund operating costs, except for tax anticipation warrants. It also provides that the MTD may not impose any tax, including a property tax. The bill requires the MTD board to adopt comprehensive financial policies and service management policies. It authorizes the Indiana Finance Authority to issue bonds and use the proceeds to acquire any obligations issued by a MTD.

The bill provides that in a county that has approved the local public question, an additional County Economic Development Income Tax (CEDIT) rate of not more than 0.3% may be imposed in that part of the county included in the MTD to pay the county's contribution to the funding of the MTD. It also specifies that the CEDIT rate may not exceed the recommended tax.

The bill specifies that a county or city council (other than the city-county council of Marion County) may elect by ordinance to provide revenue to a public transportation corporation from the city's or the county's distributive share of County Adjusted Gross Income Taxes (CAGIT), County Option Income Taxes (COIT),

or CEDIT.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Department of Local Government Finance (DLGF):* The DLGF will set the maximum permissible ad valorem property tax levy for taxing units. This is expected to be implemented within the current level of resources available to the DLGF.

*Department of Revenue (DOR):* The services provided by a new MTD within its district are exempt from regulation by DOR. Services provided outside of the district are not exempt.

*Indiana Finance Authority (IFA):* If the IFA issues bonds to assume the debt incurred or assumed by an MTD, the IFA may incur additional costs in the issuance of those bonds.

**Explanation of State Revenues:** *Tax Exemptions:* The property owned by the MTD, the revenue of the MTD, and bonds of the MTD, including interest and proceeds on the bonds, would be exempt from Indiana taxes, except for the Financial Institutions Tax and the Inheritance Tax. [Note: (1) Interest received on bonds issued by the State of Indiana or political subdivisions is currently exempt from Indiana Income Tax. (2) SEA 293-12 provided for a phaseout of the Inheritance Tax, beginning with decedents whose deaths occur during CY 2013. The Inheritance Tax will no longer apply to property interests transferred by decedents whose deaths occur after December 31, 2021.]

**Explanation of Local Expenditures:** (Revised) *Summary:* The bill will have an indeterminate fiscal impact on transportation services in Marion County and surrounding counties as all impacts will be based on the decisions of multiple county fiscal bodies and their voters. The decisions of a new MTD in the planning, acquisition, and management of transit services and the methods of financing selected by the MTD board will determine the expenditures of the MTD.

An MTD may acquire, establish, construct, renovate, improve, equip, operate, maintain, finance, subsidize, lease, and regulate public transportation systems serving the district. An MTD may enter into agreements with government agencies, political subdivisions, and other persons to provide for public safety services. An MTD is considered a political subdivision for purposes of Indiana's tort claim law. Additionally, an MTD exercises all of the powers of a regional transportation authority.

The MTD may not impose any tax nor does the MTD have the right to exercise eminent domain.

Property tax revenue received by the MTD must be spent on projects within the taxing district.

Before July 1<sup>st</sup> of the calendar year in which the MTD is established, the MTD must publish the estimated total costs associated with the activities of the MTD on an Internet website maintained by the MTD. If, at any time, costs associated with the MTD exceed the posted amount by more than 5%, the MTD must obtain authority from local voters through a public question in order to issue bonds to finance the project(s) that exceeds the initial estimated project cost.

The MTD is required to adopt comprehensive financial policies as well as service management policies and to submit an annual investment report to the Marion County Board of Finance.

The MTD may not issue bonds unless the issuance of the bonds are first reviewed by the fiscal body of each county in which the project being financed by the proposed bond issuance is located. Additionally, the MTD is prohibited from borrowing to cover operating costs (with the exception of tax anticipation warrants).

*Background: Creation of the MTD:* According to the bill, eligible county fiscal bodies and border township fiscal bodies may pass an ordinance to place a public question before local voters regarding the creation of an MTD. The public question may not be included on the ballot until the 2014 general election.

Included in the public question is the question of whether or not to approve an additional CEDIT which will be used for the county's contribution to the MTD. The maximum allowable additional CEDIT rate is 0.3% for this purpose, and the additional CEDIT may not exceed the recommended tax proposed in the public question. Residents of any townships within eligible counties that opt not to become part of the MTD will not pay any additional CEDIT, according to the bill.

Eligible counties that may opt into the MTD include:

- |             |           |
|-------------|-----------|
| • Boone     | • Johnson |
| • Delaware  | • Madison |
| • Hamilton  | • Marion  |
| • Hancock   | • Morgan  |
| • Hendricks | • Shelby  |

With the exception of Marion County (where all townships are included in the public question), each eligible county fiscal body may only authorize and place a public question before local voters of the interior townships of the eligible county. If the voters of the interior townships of an eligible county opt to become part of the MTD, then the border townships of that same county may also opt to pass an ordinance and place a public question before voters regarding their entrance into the MTD.

A border township is defined as a township in an eligible county that is contiguous along any part of its boundary to a county that is not an eligible county. Additionally, the territory of the township may not intersect with the county seat in which the township is located. Interior townships are those townships within the eligible counties that are not considered border townships.

According to the bill, the county fiscal body of Marion County is the City-County Council. For all other eligible counties, the county fiscal body is the county income tax council for those counties with a COIT and the county council for those counties with a CAGIT. The county income tax council is the county fiscal body for Boone, Delaware, Hamilton, and Madison Counties, while the county council is the county fiscal body for Hancock, Hendricks, Morgan, and Shelby Counties. For border townships, the authorizing body of the township is the legislative body of the township.

Irrespective of the approval of the public question in any of the eligible counties, the MTD is only created if one of the following combinations of counties opt into the MTD:

- Marion County only.
- Marion County plus the interior townships of at least one contiguous eligible county.
- Marion County, the interior townships of Madison County, and the interior townships of one of either Hamilton or Hancock counties.

- Marion County, the interior townships of Delaware County, the interior townships of Madison County, and the interior townships of one of either Hamilton or Hancock Counties.

Once the MTD is created, additional eligible counties who did not originally opt into the MTD as well as border townships in counties that have opted into the MTD may still place the question before voters to be included in the MTD.

The bill prohibits the use of any public funds in either the support or opposition of the approval of the local public question on the creation and funding of the MTD.

*MTD Board:* If an MTD is created, the board includes the following members:

- Five members from Marion County
- Three members from each participating county that becomes part of the MTD prior to January 1, 2015.
- Two members from each participating county that becomes part of the MTD after December 31, 2014.

The MTD board will employ weighted voting, with each member receiving an allocation of 100 votes, depending upon the financial contribution to the MTD by the county that appointed the member. Members of the MTD board must reside in the county from which the appointment was made. Members from Marion County must be appointed by the mayor, the City-County Council, and the Board of County Commissioners and must represent both major political parties.

*Minority and Women's Business Enterprise Goals:* The MTD must set participation goals for minority and women's business enterprises that conform with participation goals established by the city of Indianapolis.

*Changes to Central Indiana Regional Transportation Authority (CIRTA):* CIRTA is central Indiana's regional transportation authority, which is a quasi-governmental organization focused on bringing more transportation options to Indiana. CIRTA includes all ten of the counties eligible for inclusion in the MTD and is funded primarily through member county contributions, with smaller amounts coming from grants and federal highway planning funds.

If an MTD is established, CIRTA will remain in place, but the board of CIRTA will be reconfigured at such time as the MTD board holds its first meeting. In this event, the new CIRTA board includes the following members:

- Each member of the board of the MTD.
- One member of each county that is part of CIRTA.
- One member representing the three largest municipalities that are not part of the MTD but are still part of CIRTA.
- One member of a labor organization representing CIRTA employees who provide public transportation services within the geographic jurisdiction of CIRTA.

According to the bill, the chair and vice-chair of the MTD are also the chair and vice-chair of CIRTA.

*(Revised) Absorption of IndyGo and the Speedway Public Transportation Corporation:* The Indianapolis Public Transportation Corporation (IndyGo) and the Speedway Public Transportation Corporation (Speedway PTC) are abolished in the event that an MTD is established. In such a case, the powers, duties, assets, and liabilities of both entities are to be absorbed by the MTD. The taxing districts established for both entities as

public transportation corporations will continue in existence for purposes of property taxes imposed by the county fiscal body. These funds will be transferred to the MTD to pay for the MTD's costs of carrying out the powers and duties of IndyGo and Speedway PTC. The MTD is required annually to submit a proposed budget and proposed property tax levy for the ensuing calendar year to the Marion County fiscal body. The fiscal body is required to review the proposed budget and property tax levy and to adopt the property tax levy to enable the MTD to operate an urban mass transportation system.

IndyGo is the primary provider of transit services in Marion County, providing local fixed-route bus service (30 fixed routes), paratransit, and downtown and airport express services. In total, IndyGo delivered more than 9.5 million passenger trips in 2011, which was a 10.16% increase over the previous year. Financial information on IndyGo for 2011 is included below.

<b>IndyGo 2011 Sources of Revenue</b>		
<b>Revenue Source</b>	<b>Amount</b>	<b>Percentage of Total Revenue</b>
<b>Operating Revenues:</b>		
<b>Passenger fares</b>	\$10,401,922	15.95%
<b>Advertising</b>	482,617	0.74%
<b>Non-Operating Revenues:</b>		
<b>Property and excise tax</b>	23,966,467	36.74%
<b>Municipalities</b>	11,026,654	16.91%
<b>Federal Transportation Administration Assistance</b>	12,358,190	18.95%
<b>Contributions - Capital Grants</b>	7,022,467	10.77%
<b>Other Net Revenues</b>	<u>(31,543)</u>	-0.05%
<b>TOTAL REVENUES</b>	<b>\$65,226,774</b>	
<i>Source: IndyGo 2011 Annual Financial Report.</i>		

On December 31, 2011, IndyGo had \$14.7 M of outstanding notes and bonds payable. IndyGo's 2011 capital costs were over \$11.5 M, including facility upgrades and the acquisition of 22 new fixed-route coaches. IndyGo's total assets on December 31, 2011, were valued at \$119.8 M, including land, buildings, vehicles and equipment, other equipment, and construction in progress.

IndyGo employees absorbed by the MTD must be provided with protections in regards to continued representation by any labor organization authorized to act for those employees regarding wages, salaries, hours, working conditions, and pension or retirement provisions.

Speedway PTC contracts with IndyGo to provide transit services within its service area. In 2012, Speedway PTC had \$268,575 in receipts, \$225,925 of which was from property taxes. The 2011 contract for services with IndyGo was for \$265,000.

**Explanation of Local Revenues:** *CEDIT for MTD:* If an MTD is established, interior townships in counties that are part of the MTD have the opportunity to approve in the public question authorizing the MTD an additional CEDIT rate of up to 0.3% which will go toward the county's contribution to the MTD. Border townships in those counties where the interior townships are part of the MTD may also approve a CEDIT increase in separate public questions in order to join the MTD. The table below reports estimated revenue from a 0.3% CEDIT rate in each of the eligible counties (including both interior townships and border townships). An expanded table at the end of the fiscal note reports estimated revenue from a 0.3% CEDIT rate by township in each of the eligible counties.

<b>Additional 0.3% CEDIT Rate for Metropolitan Transit District (In millions)</b>		
<b>County</b>	<b>Estimated CY 2015</b>	<b>Estimated CY 2016</b>
Boone	\$6.7 M	\$7.0 M
Delaware	\$5.3 M	\$5.3 M
Hamilton	\$35.8 M	\$38.0 M
Hancock	\$5.4 M	\$5.5 M
Hendricks	\$11.9 M	\$12.5 M
Johnson	\$10.5 M	\$10.9 M
Madison	\$6.2 M	\$6.4 M
Marion	\$51.8 M	\$52.5 M
Morgan	\$4.3 M	\$4.4 M
Shelby	\$2.5 M	\$2.6 M

*Public Transportation Corporations Not Located in Marion County:* The bill would allow cities and counties (excluding Marion County) to provide additional revenue to public transportation corporations in their area. Local fiscal bodies (on the recommendation of their corresponding public transportation corporation) may elect to provide revenue to the public transportation corporation from part of the fiscal body's distributive share of CAGIT, COIT, or CEDIT revenue. This provision would allow an additional use for the existing revenue and would not change the total amounts distributed to the individual taxing units. Any impact will depend upon local action.

Indiana currently has eight public transportation corporations. These include public transportation corporations in Fort Wayne, Muncie, Gary, Indianapolis, Speedway, Bloomington, South Bend, and Lafayette. The Indianapolis and Speedway public transportation corporations are exempt from this provision in the bill, due to both being located in a county with a consolidated city.

**State Agencies Affected:** DLGF; Department of Revenue; Indiana Finance Authority.

**Local Agencies Affected:** Marion, Boone, Delaware, Hamilton, Hancock, Hendricks, Johnson, Madison,

Morgan, and Shelby Counties, IndyGo, Speedway Public Transportation Corporation, CIRT A, and local public transportation corporations in Fort Wayne, Muncie, Gary, Bloomington, South Bend, and Lafayette.

**Information Sources:** *IndyGo 2011 Annual Financial Report; CIRT A 2013 Budget; DLGF Database; OFMA Local Option Income Tax estimates.*

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<b>Estimated Additional 0.3% CEDIT Rate for MTD by County and Township</b> (In millions)				
<b>County</b>	<b>Township</b>	<b>Estimated CEDIT 0.3% CY 2015</b>	<b>Estimated CEDIT 0.3% CY2016</b>	<b>Interior/Border Township</b>
<b>Boone</b>		<b>\$6.75</b>	<b>\$6.96</b>	
	Center township	\$1.40	\$1.44	Interior
	Clinton township	\$0.07	\$0.07	Border
	Harrison township	\$0.11	\$0.11	Interior
	Jackson township	\$0.22	\$0.23	Border
	Jefferson township	\$0.18	\$0.19	Border
	Marion township	\$0.12	\$0.12	Border
	Perry township	\$0.13	\$0.13	Interior
	Sugar Creek township	\$0.17	\$0.17	Border
	Washington township	\$0.16	\$0.16	Border
	Worth township	\$0.23	\$0.24	Interior
	Zionsville town *	\$3.96	\$4.09	Interior
<b>Delaware</b>		<b>\$5.26</b>	<b>\$5.31</b>	
	Center township	\$2.30	\$2.32	Interior
	Delaware township	\$0.23	\$0.23	Border
	Hamilton township	\$0.42	\$0.42	Interior
	Harrison township	\$0.27	\$0.27	Interior
	Liberty township	\$0.25	\$0.25	Border
	Monroe township	\$0.21	\$0.21	Border
	Mount Pleasant township	\$0.98	\$0.99	Interior
	Niles township	\$0.09	\$0.09	Border
	Perry township	\$0.08	\$0.08	Border
	Salem township	\$0.22	\$0.22	Border
	Union township	\$0.14	\$0.14	Border
	Washington township	\$0.07	\$0.07	Border
<b>Hamilton</b>		<b>\$35.83</b>	<b>\$37.98</b>	
	Adams township	\$0.42	\$0.44	Border
	Clay township	\$13.86	\$14.69	Interior
	Delaware township	\$3.76	\$3.98	Interior
	Fall Creek township	\$6.67	\$7.08	Interior
	Jackson township	\$1.10	\$1.16	Border
	Noblesville township	\$5.33	\$5.65	Interior
	Washington township	\$3.78	\$4.00	Interior
	Wayne township	\$0.68	\$0.72	Interior
	White River township	\$0.23	\$0.24	Border
<b>Hancock</b>		<b>\$5.36</b>	<b>\$5.51</b>	
	Blue River township	\$0.13	\$0.13	Border
	Brandywine township	\$0.21	\$0.22	Interior
	Brown township	\$0.18	\$0.18	Border
	Buck Creek township	\$0.75	\$0.77	Interior
	Center township	\$1.83	\$1.88	Interior

Green township	\$0.13	\$0.14	Interior
Jackson township	\$0.13	\$0.14	Border
Sugar Creek township	\$1.25	\$1.28	Interior
Vernon township	\$0.76	\$0.78	Interior

County	Township	Estimated CEDIT 0.3% CY 2015	Estimated CEDIT 0.3% CY2016	Interior/Border Township
<b>Hendricks</b>		<b>\$11.91</b>	<b>\$12.48</b>	
	Brown township	\$1.21	\$1.27	Interior
	Center township	\$0.98	\$1.03	Interior
	Clay township	\$0.15	\$0.16	Border
	Eel River township	\$0.11	\$0.11	Border
	Franklin township	\$0.09	\$0.09	Border
	Guilford township	\$1.95	\$2.05	Interior
	Liberty township	\$0.48	\$0.50	Interior
	Lincoln township	\$2.34	\$2.46	Interior
	Marion township	\$0.15	\$0.16	Border
	Middle township	\$0.50	\$0.52	Interior
	Union township	\$0.13	\$0.14	Interior
	Washington township	\$3.82	\$4.00	Interior
<b>Johnson</b>		<b>\$10.54</b>	<b>\$10.89</b>	
	Blue River township	\$0.22	\$0.23	Border
	Clark township	\$0.20	\$0.21	Interior
	Franklin township	\$1.10	\$1.14	Interior
	Hensley township	\$0.23	\$0.24	Border
	Needham township	\$0.53	\$0.55	Interior
	Nineveh township	\$0.23	\$0.24	Border
	Pleasant township	\$3.59	\$3.71	Interior
	Union township	\$0.21	\$0.21	Interior
	White River township	\$4.21	\$4.35	Interior
<b>Madison</b>		<b>\$6.22</b>	<b>\$6.35</b>	
	Adams township	\$0.23	\$0.24	Interior
	Anderson township	\$2.36	\$2.40	Interior
	Boone township	\$0.04	\$0.04	Border
	Duck Creek township	\$0.04	\$0.04	Border
	Fall Creek township	\$0.57	\$0.58	Interior
	Green township	\$0.40	\$0.41	Interior
	Jackson township	\$0.15	\$0.15	Interior
	Lafayette township	\$0.25	\$0.25	Interior
	Monroe township	\$0.43	\$0.44	Interior
	Pipe Creek township	\$0.60	\$0.61	Border
	Richland township	\$0.33	\$0.34	Interior
	Stony Creek township	\$0.21	\$0.22	Interior
	Union township	\$0.53	\$0.54	Interior
	Van Buren township	\$0.09	\$0.09	Border
<b>Marion</b>		<b>\$51.81</b>	<b>\$52.54</b>	
	Center township	\$5.88	\$5.96	Interior
	Decatur township	\$1.56	\$1.58	Interior



Franklin township	\$3.46	\$3.51	Interior
Lawrence township	\$8.20	\$8.32	Interior
Perry township	\$5.95	\$6.03	Interior
Pike township	\$5.28	\$5.35	Interior
Warren township	\$4.77	\$4.84	Interior
Washington township	\$10.67	\$10.82	Interior
Wayne township	\$6.04	\$6.13	Interior

County	Township	Estimated CEDIT 0.3% CY 2015	Estimated CEDIT 0.3% CY2016	Interior/Border Township
<b>Morgan</b>		<b>\$4.29</b>	<b>\$4.39</b>	
	Adams township	\$0.10	\$0.10	Border
	Ashland township	\$0.13	\$0.13	Border
	Baker township	\$0.05	\$0.05	Border
	Brown township	\$0.77	\$0.79	Interior
	Clay township	\$0.25	\$0.26	Interior
	Green township	\$0.24	\$0.25	Interior
	Gregg township	\$0.20	\$0.21	Interior
	Harrison township	\$0.08	\$0.08	Interior
	Jackson township	\$0.21	\$0.22	Border
	Jefferson township	\$0.24	\$0.25	Interior
	Madison township	\$0.65	\$0.67	Interior
	Monroe township	\$0.36	\$0.37	Interior
	Ray township	\$0.07	\$0.07	Border
	Washington township	\$0.93	\$0.95	Interior
<b>Shelby</b>		<b>\$2.53</b>	<b>\$2.56</b>	
	Addison township	\$0.97	\$0.98	Interior
	Brandywine township	\$0.12	\$0.13	Interior
	Hanover township	\$0.10	\$0.11	Border
	Hendricks township	\$0.06	\$0.06	Interior
	Jackson township	\$0.14	\$0.14	Border
	Liberty township	\$0.10	\$0.10	Border
	Marion township	\$0.18	\$0.18	Interior
	Moral township	\$0.29	\$0.29	Interior
	Noble township	\$0.07	\$0.07	Border
	Shelby township	\$0.16	\$0.16	Interior
	Sugar Creek township	\$0.13	\$0.13	Interior
	Union township	\$0.05	\$0.05	Border
	Van Buren township	\$0.10	\$0.10	Interior
	Washington township	\$0.07	\$0.07	Border

Sources:

LSA: 1% LOIT Estimates

U.S. Census Bureau, 2007-2011 American Community Survey: Table DP03 & S1701

\* Zionsville town (Boone County) consolidated with the former Eagle and Union townships in 2010.